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8 UNITED STATES DISTRICT COURT
9
10 NORTHERN DISTRICT OF CALIFORNIA
11 SAN FRANCISCO DIVISION

12 PHOENIX SOLUTIONS, INC., a California
13 corporation,

14 Plaintiff,

15 v.

16 WELLS FARGO BANK, N.A., a Delaware
17 corporation, and WELLS FARGO FUNDS
MANAGEMENT, LLC, a Delaware limited
18 liability company,

19 Defendants.
20
21

Case No. CV 08-0863 MHP

**WELLS FARGO BANK, N.A.'S ANSWER
TO SECOND AMENDED COMPLAINT
DEMAND FOR JURY TRIAL**

22 Defendant Wells Fargo Bank, N.A. ("Wells Fargo") answers Phoenix Solutions, Inc.'s
23 ("Phoenix's") second amended complaint ("Complaint") on behalf of itself and itself alone as
24 follows:

25 1. Wells Fargo admits that the Complaint purports to recite an action for
26 infringement under the patent laws of the United States.
27
28

I. THE PARTIES

2. Wells Fargo denies that Phoenix is a corporation organized and existing under the laws of the State of California; Wells Fargo lacks knowledge or information sufficient to form a belief about the truth of the remainder of the allegations in this paragraph and, on that basis, denies the remainder of the allegations in this paragraph.

3. Wells Fargo admits that it has a place of business at 420 Montgomery Street, San Francisco, California 94163. Wells Fargo denies the remainder of the allegations of this paragraph.

4. Wells Fargo admits that Wells Fargo Funds Management, LLC is a limited liability company organized and existing under the laws of the State of Delaware, with a place of business at 525 Market Street, San Francisco, California 94105. Wells Fargo denies the remainder of the allegations of this paragraph.

II. FACTUAL BACKGROUND

5. Wells Fargo lacks knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

6. Wells Fargo lacks knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

7. Wells Fargo lacks knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

8. Wells Fargo admits that it provides financial services including banking, insurance, investment, mortgage loan, and consumer finance services. Wells Fargo admits that it operates customer support lines, some of which are toll-free. Wells Fargo admits that some of its customer support lines employ interactive voice response (IVR) systems that provide customers with audible responses. Wells Fargo lacks information sufficient to form a belief about the truth

1 of the remainder of the allegations in this paragraph and, on that basis, denies the remainder of
2 the allegations in this paragraph.

3 9. Wells Fargo lacks knowledge or information sufficient to form a belief about the
4 truth of the allegations in this paragraph and, on that basis, denies the allegations in this
5 paragraph.

6 10. Wells Fargo lacks knowledge or information sufficient to form a belief about the
7 truth of the allegations in this paragraph and, on that basis, denies the allegations in this
8 paragraph.

9 11. Wells Fargo lacks knowledge or information sufficient to form a belief about the
10 truth of the allegations in this paragraph and, on that basis, denies the allegations in this
11 paragraph.

12 12. Wells Fargo lacks knowledge or information sufficient to form a belief about the
13 truth of the allegations in this paragraph and, on that basis, denies the allegations in this
14 paragraph.

15 13. Wells Fargo lacks knowledge or information sufficient to form a belief about the
16 truth of the allegations in this paragraph and, on that basis, denies the allegations in this
17 paragraph.

18 14. Wells Fargo lacks knowledge or information sufficient to form a belief about the
19 truth of the allegations in this paragraph and, on that basis, denies the allegations in this
20 paragraph.

21 15. Wells Fargo lacks knowledge or information sufficient to form a belief about the
22 truth of the allegations in this paragraph and, on that basis, denies the allegations in this
23 paragraph.

24 16. Wells Fargo admits that some of the IVR systems used in its customer support
25 lines may respond with an audible response or may route the caller to a live person. Wells Fargo
26 lacks information sufficient to form a belief about the truth of the remainder of the allegations in
27 this paragraph and, on that basis, denies the remainder of the allegations in this paragraph.
28

1 17. Wells Fargo lacks knowledge or information sufficient to form a belief about the
2 truth of the allegations in this paragraph and, on that basis, denies the allegations in this
3 paragraph.

4 18. Wells Fargo lacks knowledge or information sufficient to form a belief about the
5 truth of the allegations in this paragraph and, on that basis, denies the allegations in this
6 paragraph.

7 19. Wells Fargo lacks knowledge or information sufficient to form a belief about the
8 truth of the allegations in this paragraph and, on that basis, denies the allegations in this
9 paragraph.

10 20. Wells Fargo lacks knowledge or information sufficient to form a belief about the
11 truth of the allegations in this paragraph and, on that basis, denies the allegations in this
12 paragraph.

13 21. Wells Fargo admits that the IVR systems used in its customer support lines are a
14 combination of components, including hardware, software, and content, that it obtained from
15 third parties. Wells Fargo lacks knowledge or information sufficient to form a belief about the
16 truth of the allegations in the remainder this paragraph and, on that basis, denies the allegations
17 in the remainder of this paragraph.

18 22. Wells Fargo lacks knowledge or information sufficient to form a belief about the
19 truth of the allegations in this paragraph and, on that basis, denies the allegations in this
20 paragraph.

21 23. Wells Fargo admits that, on or about June 2, 2006, J. Nicholas Gross of the Trojan
22 Law Offices sent a letter addressed to James Strother, purportedly on behalf of Phoenix, in which
23 Mr. Gross stated that the “speech based electronic agent” that Mr. Gross apparently assumed was
24 operated by Wells Fargo “is very likely covered one or more claims of the Phoenix portfolio in
25 this area.” Wells Fargo admits that the letter listed U.S. Patent Nos. 6,633,846, 6,616,172,
26 6,665,640, and 7,050,977 and a pending publication, Publication No. 2004/0117189. Wells
27 Fargo further admits that the letter stated that “we request that you please review the enclosed
28 materials, and let us know within 30 days if Wells Fargo is interested in securing a license to the

above technologies.” Wells Fargo admits that, on or about June 27, 2006, Walter Linder pointed out in a letter to Mr. Gross that Mr. Gross had failed to identify any specific claims that were infringed and had not provided any specific reasons why any such claims were infringed. Wells Fargo admits that, on or about June 29, 2006, Mr. Gross replied by letter to Mr. Linder that Wells Fargo may have overlooked a CD enclosed with the original letter. Wells Fargo admits that, on or about October 18, 2007, R. Joseph Trojan, purportedly representing Phoenix, sent a letter to Mr. Linder stating, *inter alia*, “the only rational choice is for Wells Fargo to solicit more favorable treatment as a willing licensee than the terms it would receive as a defendant in litigation.” The letter further demanded that Wells Fargo “disclose its call volume for each of the past three years for its interactive natural language processing customer support lines.” Wells Fargo denies the remainder of the allegations in this paragraph.

III. JURISDICTION AND VENUE

24. This paragraph states no more than a legal conclusion to which no response is required.

25. This paragraph states no more than a legal conclusion to which no response is required.

26. This paragraph states no more than a legal conclusion to which no response is required.

IV. FIRST COUNT FOR INFRINGEMENT OF UNITED STATES PATENT NO. 6,633,846

27. Wells Fargo repeats and realleges its responses set forth in paragraphs 1-26 above.

28. Wells Fargo admits that what purports to be a copy of U.S. Patent No. 6,633,846 (“’846 patent”) is attached to the Complaint as Exhibit 1. Wells Fargo admits that the ’846 patent is entitled “Distributed Real Time Speech Recognition System.” Wells Fargo lacks knowledge or information sufficient to form a belief about the truth of the remainder of the allegations in this paragraph and, on that basis, denies the remainder of the allegations in this paragraph.

29. Denied.

30. Denied.

31. Denied.

V. SECOND COUNT FOR INFRINGEMENT OF UNITED STATES PATENT NO. 6,665,640

32. Wells Fargo repeats and realleges its responses set forth in paragraphs 1-26 above.

33. Wells Fargo admits that what purports to be a copy of U.S. Patent No. 6,665,640 (“’640 patent”) is attached to the Complaint as Exhibit 2. Wells Fargo admits that the ’640 patent is entitled “Interactive Speech Based Learning/Training System Formulating Search Queries Based on Natural Language Parsing of Recognized User Queries.” Wells Fargo lacks knowledge or information sufficient to form a belief about the truth of the remainder of the allegations in this paragraph and, on that basis, denies the remainder of the allegations in this paragraph.

34. Denied.

35. Denied.

36. Denied.

VI. THIRD COUNT FOR INFRINGEMENT OF UNITED STATES PATENT NO. 7,050,977

37. Wells Fargo repeats and realleges its responses set forth in paragraphs 1-26 above.

38. Wells Fargo admits that what purports to be a copy of U.S. Patent No. 7,050,977 (“’977 patent”) is attached to the Complaint as Exhibit 3. Wells Fargo admits that the ’977 patent is entitled “Speech-Enabled Server for Internet Website and Method.” Wells Fargo lacks knowledge or information sufficient to form a belief about the truth of the remainder of the allegations in this paragraph and, on that basis, denies the remainder of the allegations in this paragraph.

39. Denied.

40. Denied.

41. Denied.

VII. FOURTH COUNT FOR INFRINGEMENT OF UNITED STATES PATENT NO. 7,277,854

42. Wells Fargo repeats and realleges its responses set forth in paragraphs 1-26 above.

43. Wells Fargo admits that what purports to be a copy of U.S. Patent No. 7,277,854 (“’854 patent”) is attached to the Complaint as Exhibit 4. Wells Fargo admits that the ’854 patent is entitled “Speech Recognition System Interactive Agent.” Wells Fargo lacks knowledge or information sufficient to form a belief about the truth of the remainder of the allegations in this paragraph and, on that basis, denies the remainder of the allegations in this paragraph.

44. Denied.

45. Denied.

46. Denied.

VIII. DEMAND FOR JURY TRIAL

47. This paragraph demands a jury trial, and accordingly no response is necessary for this paragraph.

IX. PRAYER FOR RELIEF

48. Wells Fargo denies each allegation of the Complaint not expressly admitted herein.

AFFIRMATIVE DEFENSES

FIRST AFFIRMATIVE DEFENSE

49. On information and belief, the ’846 patent is invalid because it fails to enable a person of ordinary skill in the art to make and/or use the purported inventions claimed therein as required by 35 U.S.C. § 112.

SECOND AFFIRMATIVE DEFENSE

50. On information and belief, the ’846 patent is invalid because it fails to set forth an adequate written description of the purported inventions claimed therein as required by 35 U.S.C. § 112.

THIRD AFFIRMATIVE DEFENSE

51. On information and belief, the '846 patent is invalid because it fails to provide the best mode known to the putative inventors of practicing the purported inventions claimed therein as required by 35 U.S.C. § 112.

FOURTH AFFIRMATIVE DEFENSE

52. On information and belief, the '846 patent is invalid because it fails to satisfy the definiteness requirement of 35 U.S.C. § 112.

FIFTH AFFIRMATIVE DEFENSE

53. On information and belief, the '846 patent is invalid because the purported inventions claimed therein are anticipated by prior art under 35 U.S.C. § 102.

SIXTH AFFIRMATIVE DEFENSE

54. On information and belief, the '846 patent is invalid because the purported inventions claimed therein do not meet the requirement of non-obviousness contained in 35 U.S.C. § 103.

SEVENTH AFFIRMATIVE DEFENSE

55. On information and belief, the '846 patent is invalid because it fails to set forth the proper inventors of the purported inventions claimed in the patent.

EIGHTH AFFIRMATIVE DEFENSE

56. On information and belief, the '846 patent is not infringed by Wells Fargo because the claim constructions that would be required to find infringement are barred by the doctrine of prosecution disclaimer and/or prosecution history estoppel.

NINTH AFFIRMATIVE DEFENSE

57. On information and belief, the '640 patent is invalid because it fails to enable a person of ordinary skill in the art to make and/or use the purported inventions claimed therein as required by 35 U.S.C. § 112.

TENTH AFFIRMATIVE DEFENSE

58. On information and belief, the '640 patent is invalid because it fails to set forth an adequate written description of the purported inventions claimed therein as required by 35 U.S.C. § 112.

ELEVENTH AFFIRMATIVE DEFENSE

59. On information and belief, the '640 patent is invalid because it fails to provide the best mode known to the putative inventors of practicing the purported inventions claimed therein as required by 35 U.S.C. § 112.

TWELFTH AFFIRMATIVE DEFENSE

60. On information and belief, the '640 patent is invalid because it fails to satisfy the definiteness requirement of 35 U.S.C. § 112.

THIRTEENTH AFFIRMATIVE DEFENSE

61. On information and belief, the '640 patent is invalid because the purported inventions claimed therein are anticipated by prior art under 35 U.S.C. § 102.

FOURTEENTH AFFIRMATIVE DEFENSE

62. On information and belief, the '640 patent is invalid because the purported inventions claimed therein do not meet the requirement of non-obviousness contained in 35 U.S.C. § 103.

FIFTEENTH AFFIRMATIVE DEFENSE

63. On information and belief, the '640 patent is invalid because it fails to set forth the proper inventors of the purported inventions claimed in the patent.

SIXTEENTH AFFIRMATIVE DEFENSE

64. On information and belief, the '640 patent is not infringed by Wells Fargo because the claim constructions that would be required to find infringement are barred by the doctrine of prosecution disclaimer and/or prosecution history estoppel.

SEVENTEENTH AFFIRMATIVE DEFENSE

65. On information and belief, the '977 patent is invalid because it fails to enable a person of ordinary skill in the art to make and/or use the purported inventions claimed therein as required by 35 U.S.C. § 112.

EIGHTEENTH AFFIRMATIVE DEFENSE

66. On information and belief, the '977 patent is invalid because it fails to set forth an adequate written description of the purported inventions claimed therein as required by 35 U.S.C. § 112.

NINETEENTH AFFIRMATIVE DEFENSE

67. On information and belief, the '977 patent is invalid because it fails to provide the best mode known to the putative inventors of practicing the purported inventions claimed therein as required by 35 U.S.C. § 112.

TWENTIETH AFFIRMATIVE DEFENSE

68. On information and belief, the '977 patent is invalid because it fails to satisfy the definiteness requirement of 35 U.S.C. § 112.

TWENTY-FIRST AFFIRMATIVE DEFENSE

69. On information and belief, the '977 patent is invalid because the purported inventions claimed therein are anticipated by prior art under 35 U.S.C. § 102.

TWENTY-SECOND AFFIRMATIVE DEFENSE

70. On information and belief, the '977 patent is invalid because the purported inventions claimed therein do not meet the requirement of non-obviousness contained in 35 U.S.C. § 103.

TWENTY-THIRD AFFIRMATIVE DEFENSE

71. On information and belief, the '977 patent is invalid because it fails to set forth the proper inventors of the purported inventions claimed in the patent.

TWENTY-FOURTH AFFIRMATIVE DEFENSE

72. On information and belief, the '977 patent is not infringed by Wells Fargo because the claim constructions that would be required to find infringement are barred by the doctrine of prosecution disclaimer and/or prosecution history estoppel.

TWENTY-FIFTH AFFIRMATIVE DEFENSE

73. On information and belief, the '854 patent is invalid because it fails to enable a person of ordinary skill in the art to make and/or use the purported inventions claimed therein as required by 35 U.S.C. § 112.

TWENTY-SIXTH AFFIRMATIVE DEFENSE

74. On information and belief, the '854 patent is invalid because it fails to set forth an adequate written description of the purported inventions claimed therein as required by 35 U.S.C. § 112.

TWENTY-SEVENTH AFFIRMATIVE DEFENSE

75. On information and belief, the '854 patent is invalid because it fails to provide the best mode known to the putative inventors of practicing the purported inventions claimed therein as required by 35 U.S.C. § 112.

TWENTY-EIGHTH AFFIRMATIVE DEFENSE

76. On information and belief, the '854 patent is invalid because it fails to satisfy the definiteness requirement of 35 U.S.C. § 112.

TWENTY-NINTH AFFIRMATIVE DEFENSE

77. On information and belief, the '854 patent is invalid because the purported inventions claimed therein are anticipated by prior art under 35 U.S.C. § 102.

THIRTIETH AFFIRMATIVE DEFENSE

78. On information and belief, the '854 patent is invalid because the purported inventions claimed therein do not meet the requirement of non-obviousness contained in 35 U.S.C. § 103.

THIRTY-FIRST AFFIRMATIVE DEFENSE

79. On information and belief, the '854 patent is invalid because it fails to set forth the proper inventors of the purported inventions claimed in the patent.

THIRTY-SECOND AFFIRMATIVE DEFENSE

80. On information and belief, the '854 patent is not infringed by Wells Fargo because the claim constructions that would be required to find infringement are barred by the doctrine of prosecution disclaimer and/or prosecution history estoppel.

THIRTY-THIRD AFFIRMATIVE DEFENSE

81. On information and belief, one or more of Phoenix's claims are barred by the doctrine of laches.

THIRTY-FOURTH AFFIRMATIVE DEFENSE

82. On information and belief, Phoenix's claims for damages are limited and/or barred by its failure to comply with the provisions of 35 U.S.C. § 287.

THIRTY-FIFTH AFFIRMATIVE DEFENSE

83. On information and belief, Phoenix's claims for infringement of the '846 patent are barred in whole or in part by its failure to comply with the duty of candor before the United States Patent and Trademark Office ("USPTO"). Phoenix misrepresented or omitted material information in prosecuting the '846 patent. The materiality of the information that was omitted is confirmed by the fact that, as explained further below, in almost every instance the reference in question was cited to Phoenix by a patent examiner overseeing the prosecution of a patent application seeking to claim related subject matter, and the reference was cited as a ground for rejecting the claims of that pending application. That demonstrates that a reasonable examiner would have likely considered the withheld information relevant in assessing the patentability of the claims here. Further, on information and belief, Phoenix withheld the information with the intent to deceive the USPTO. Phoenix's intent to deceive the USPTO can be inferred from the fact that it repeatedly failed to cite material prior art of which it was made aware during the course of prosecuting related applications. Illustrative examples of such failures to disclose

1 material prior art of which Wells Fargo is currently aware are discussed below. As a result of at
2 least these omissions, the '846 patent is unenforceable due to inequitable conduct.

3 84. During the time that the '846 patent was pending before the USPTO, Phoenix was
4 aware of U.S. Patent No. 5,615,296 to Stanford. Phoenix became aware of the Stanford patent
5 no later than May of 2002, when the Examiner in the '640 patent prosecution mailed an Office
6 Action rejecting the claims of the '640 patent, based in part on obviousness over the Stanford
7 patent.

8 85. As explained in paragraph 83 above, the Stanford patent's materiality is
9 demonstrated by the fact that it was used to reject the claims of a patent application from the
10 same family. The Stanford patent also discloses information that is unquestionably material to
11 issues relating to the patentability of the claims of the '846 patent, including the issue of
12 obviousness. For example, the '846 patent as issued claims a system "wherein said speech
13 representative values are transmitted continuously during said speech utterances." The Stanford
14 patent, at column 4, lines 10-12 notes that it discloses a "technique of speaker-independent,
15 continuous-speech phrases and bi-grams."

16 86. Well over three months later, in September of 2002, Phoenix submitted a
17 supplemental Information Disclosure Statement. That IDS contained no mention of the Stanford
18 patent. Days after that, Phoenix submitted a set of amendments and arguments intended to
19 overcome the Examiner's prior rejection of the claims of the '846 patent. Still no mention was
20 made of the Stanford patent, despite the fact that Phoenix had attempted at length to distinguish
21 the Stanford patent in the '640 patent prosecution.

22 87. On March 12, 2003, the Examiner gave notice of allowance of all claims of the
23 '846 patent. Phoenix still failed to disclose to the USPTO the Stanford patent, a reference that
24 may well have led the USPTO to withdraw its notice of allowance of the claims.

25 88. The '846 patent reflects on its face that the Stanford patent was never considered
26 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '846 patent
27 and the '640 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
28 material reference, Phoenix committed inequitable conduct, and the '846 patent is unenforceable.

1 89. Also during the time that the '846 patent was pending before the USPTO, Phoenix
2 was aware of U.S. Patent No. 5,983,190 to Trower. Phoenix became aware of the Trower patent
3 no later than May of 2002, when the Examiner in the '640 patent prosecution mailed an Office
4 Action rejecting the claims of the '640 patent, based in part on obviousness over the Trower
5 patent.

6 90. As explained in paragraph 83 above, the Trower patent's materiality is
7 demonstrated by the fact that it was used to reject the claims of a patent application from the
8 same family. The Trower patent also discloses information that is unquestionably material to
9 issues relating to the patentability of the claims of the '846 patent, including the issue of
10 obviousness. For example, the '846 patent as issued claims a program used in a system "for
11 receiving user speech utterance signals representing speech utterances to be recognized" that
12 "works within a browser program executing on said computing system." The Trower patent, at
13 column 3, lines 15-16 and column 4, lines 28-34 notes that it discloses a system that relates to
14 "speech input" and utilizes "a microphone and analog to digital convertor circuitry for
15 converting sound to digitized audio" and that the system is "advantageous for web pages."

16 91. Well over three months later, in September of 2002, Phoenix submitted a
17 supplemental Information Disclosure Statement. That IDS contained no mention of the Trower
18 patent. Days after that, Phoenix submitted a set of amendments and arguments intended to
19 overcome the Examiner's prior rejection of the claims of the '846 patent. Still no mention was
20 made of the Trower patent.

21 92. On March 12, 2003, the Examiner gave notice of allowance of all claims of the
22 '846 patent. Phoenix still failed to disclose to the USPTO the Trower patent, a reference that
23 may well have led the USPTO to withdraw its notice of allowance of the claims.

24 93. The '846 patent reflects on its face that the Trower patent was never considered
25 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '846 patent
26 and the '640 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
27 material reference, Phoenix committed inequitable conduct, and the '846 patent is unenforceable.
28

1 94. In addition to its failures to submit the material references described above,
2 Phoenix failed to disclose to the United States Patent and Trademark Office material information
3 regarding systems that were in use more than a year before the filing date for the '846 patent.
4 Specifically, documents produced by Phoenix have revealed that its principal (and named
5 inventor on the '846 patent) Ian Bennett knew no later than July of 2002 of a number of
6 companies that Phoenix viewed as competitors in the speech recognition marketplace. These
7 companies included, without limitation, Nuance, SpeechWorks, Scansoft, and VoiceNet.

8 95. Under the reading of the claims advanced by Phoenix in its infringement
9 contentions in this case, a product that was offered for sale by Nuance and in use more than a
10 year prior to the filing date of the '846 patent would have contained each of the elements of the
11 asserted claims of that patent. The Nuance product, which was available years prior to the filing
12 date of the '846 patent, would therefore have been not merely material prior art, but anticipatory
13 prior art, at least as Phoenix now reads the claims of the patents-in-suit. Accordingly,
14 information regarding the products offered by these companies would have been considered
15 highly material to a reasonable examiner in considering whether to issue the '846 patent.

16 96. Given the knowledge of this highly relevant prior art, and the fact that Phoenix
17 elsewhere failed to submit material prior art of which it was aware, as described above, it is
18 reasonable to infer that Phoenix had an intent to deceive when it withheld information regarding
19 that prior art from the USPTO. By intentionally failing to submit this highly relevant prior art to
20 the USPTO, Phoenix committed inequitable conduct, and the '846 patent is therefore
21 unenforceable.

22 **THIRTY-SIXTH AFFIRMATIVE DEFENSE**

23 97. On information and belief, Phoenix's claims for infringement of the '640 patent
24 are barred in whole or in part by its failure to comply with the duty of candor before the USPTO.
25 Phoenix misrepresented or omitted material information in prosecuting the '640 patent. The
26 materiality of the information that was omitted is confirmed by the fact that, as explained further
27 below, in almost every instance the reference in question was cited to Phoenix by a patent
28 examiner overseeing the prosecution of a patent application seeking to claim related subject

1 matter, and the reference was cited as a ground for rejecting the claims of that pending
2 application. That demonstrates that a reasonable examiner would have likely considered the
3 withheld information relevant in assessing the patentability of the claims here. Further, on
4 information and belief, Phoenix withheld the information with the intent to deceive the USPTO.
5 Phoenix's intent to deceive the USPTO can be inferred from the fact that it repeatedly failed to
6 cite material prior art of which it was made aware during the course of prosecuting related
7 applications. Illustrative examples of such failures to disclose material prior art of which Wells
8 Fargo is currently aware are discussed below. As a result of at least these omissions, the '640
9 patent is unenforceable due to inequitable conduct.

10 98. During the time that the '640 patent was pending before the USPTO, Phoenix was
11 aware of U.S. Patent No. 5,737,485 to Flanagan. Phoenix became aware of the Flanagan patent
12 no later than September of 2001, when the Examiner in the '846 patent prosecution mailed an
13 Office Action rejecting the claims of the '846 patent, based in part on obviousness over the
14 Flanagan patent.

15 99. As explained in paragraph 97 above, the Flanagan patent's materiality is
16 demonstrated by the fact that it was used to reject the claims of a patent application from the
17 same family. The Flanagan patent also discloses information that is unquestionably material to
18 issues relating to the patentability of the claims of the '640 patent, including the issue of
19 obviousness. For example, the '640 patent as issued claims "a speech recognition system for
20 generating recognized speech utterance data from partially processed speech data." The
21 Flanagan patent, at column 3, lines 55-57 and column 4, lines 2-4 discloses a "feature extractor
22 [that] extracts speech features or cepstrum coefficients," which data are then "provided as inputs
23 to the speech recognizer."

24 100. A year later, in September of 2002, Phoenix submitted a set of amendments and
25 responses to the USPTO's Office Action rejecting the claims of the '640 patent. Phoenix made
26 no mention of the Flanagan patent at that time. Shortly thereafter, Phoenix submitted another
27 supplemental Information Disclosure Statement to the USPTO. Yet Phoenix again made no
28 mention of the Flanagan patent.

1 101. The '640 patent reflects on its face that the Flanagan patent was never considered
2 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '640 patent
3 and the '846 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
4 material reference, Phoenix committed inequitable conduct, and the '640 patent is unenforceable.

5 102. During the time that the '640 patent was pending before the USPTO, Phoenix was
6 aware of U.S. Patent No. 5,265,014 to Haddock. Phoenix became aware of the Haddock patent
7 no later than September of 2001, when the Examiner in the '846 patent prosecution mailed an
8 Office Action rejecting the claims of the '846 patent, based in part on obviousness over the
9 Haddock patent.

10 103. As explained in paragraph 97 above, the Haddock patent's materiality is
11 demonstrated by the fact that it was used to reject the claims of a patent application from the
12 same family. The Haddock patent also discloses information information that is unquestionably
13 material to issues relating to the patentability of the claims of the '640 patent, including the issue
14 of obviousness. For example, the '640 patent as issued claims a system "adapted for responding
15 to speech-based queries" that has a "speech recognition system for generating recognized speech
16 utterance data" and "a query formulation system for converting said recognized speech data into
17 a search query suitable for identifying a topic query entry corresponding to said speech-based
18 query." The Haddock patent, at column 4, lines 25-28 and 43-46 notes that it discloses a system
19 whereby "the user communicates textual information to the computer system by talking to the
20 computer rather than by typing the information at the keyboard" and is "embodied in a user
21 interface of a database system which receives a database query from a user, evaluates the query,
22 and provides a result of the evaluation to the user."

23 104. A year later, in September of 2002, Phoenix submitted a set of amendments and
24 responses to the USPTO's Office Action rejecting the claims of the '640 patent. Phoenix made
25 no mention of the Haddock patent at that time. Shortly thereafter, Phoenix submitted another
26 supplemental Information Disclosure Statement to the USPTO. Yet Phoenix again made no
27 mention of the Haddock patent.
28

1 105. The '640 patent reflects on its face that the Haddock patent was never considered
2 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '640 patent
3 and the '846 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
4 material reference, Phoenix committed inequitable conduct, and the '640 patent is unenforceable.

5 106. During the time that the '640 patent was pending before the USPTO, Phoenix was
6 aware of U.S. Patent No. 6,336,090 to Chou. Phoenix became aware of the Chou patent no later
7 than May of 2002, when the Examiner in the '846 patent prosecution mailed an Office Action
8 rejecting the claims of the '846 patent, based in part on obviousness over the Chou patent.

9 107. As explained in paragraph 97 above, the Chou patent's materiality is
10 demonstrated by the fact that it was used to reject the claims of a patent application from the
11 same family. The Chou patent also discloses information information that is unquestionably
12 material to issues relating to the patentability of the claims of the '640 patent, including the issue
13 of obviousness. For example, the '640 patent as issued claims a system that involves "partially
14 processed speech data being received from a remote speech capturing system." The Chou patent,
15 at column 9, lines 51-59 notes that it discloses a "feature extraction and/or ASR units can be
16 located a the receiving base station, the switch connected to the base station . . . or at another
17 location connection on the network(s) to which these elements are connected" and that it will
18 sometimes "be convenient to have the feature extraction and ASR operations performed at
19 different locations."

20 108. A few months later, in September of 2002, Phoenix submitted a set of
21 amendments and responses to the USPTO's Office Action rejecting the claims of the '640 patent.
22 Phoenix made no mention of the Chou patent at that time. Shortly thereafter, Phoenix submitted
23 another supplemental Information Disclosure Statement to the USPTO. Yet Phoenix again made
24 no mention of the Chou patent.

25 109. The '640 patent reflects on its face that the Chou patent was never considered by
26 the Examiner during its prosecution. Notably, the attorney prosecuting both the '640 patent and
27 the '846 patent was the same: J. Nicholas Gross. By intentionally failing to submit this material
28 reference, Phoenix committed inequitable conduct, and the '640 patent is unenforceable.

110. In addition to its failures to submit the material references described above, Phoenix failed to disclose to the United States Patent and Trademark Office material information regarding systems that were in use more than a year before the filing date for the '640 patent. Specifically, documents produced by Phoenix have revealed that its principal (and named inventor on the '640 patent) Ian Bennett knew no later than July of 2002 of a number of companies that Phoenix viewed as competitors in the speech recognition marketplace. These companies included, without limitation, Nuance, SpeechWorks, Scansoft, and VoiceNet.

111. Under the reading of the claims advanced by Phoenix in its infringement contentions in this case, a product that was offered for sale by Nuance and in use more than a year prior to the filing date of the '640 patent would have contained each of the elements of the asserted claims of that patent. The Nuance product, which was available years prior to the filing date of the '640 patent, would therefore have been not merely material prior art, but anticipatory prior art, at least as Phoenix now reads the claims of the patents-in-suit. Accordingly, information regarding the products offered by these companies would have been considered highly material to a reasonable examiner in considering whether to issue the '640 patent.

112. Given the knowledge of this highly relevant prior art, and the fact that Phoenix elsewhere failed to submit material prior art of which it was aware, as described above, it is reasonable to infer that Phoenix had an intent to deceive when it withheld information regarding that prior art from the USPTO. By intentionally failing to submit this highly relevant prior art to the USPTO, Phoenix committed inequitable conduct, and the '640 patent is therefore unenforceable.

THIRTY-SEVENTH AFFIRMATIVE DEFENSE

113. On information and belief, Phoenix's claims for infringement of the '977 patent are barred in whole or in part by its failure to comply with the duty of candor before the USPTO. Phoenix misrepresented or omitted material information in prosecuting the '977 patent. The materiality of the information that was omitted is confirmed by the fact that, as explained further below, in almost every instance the reference in question was cited to Phoenix by a patent examiner overseeing the prosecution of a patent application seeking to claim related subject

1 matter, and the reference was cited as a ground for rejecting the claims of that pending
2 application. That demonstrates that a reasonable examiner would have likely considered the
3 withheld information relevant in assessing the patentability of the claims here. Further, on
4 information and belief, Phoenix withheld the information with the intent to deceive the USPTO.
5 Phoenix's intent to deceive the USPTO can be inferred from the fact that it repeatedly failed to
6 cite material prior art of which it was made aware during the course of prosecuting related
7 applications. Illustrative examples of such failures to disclose material prior art of which Wells
8 Fargo is currently aware are discussed below. As a result of at least these omissions, the '977
9 patent is unenforceable due to inequitable conduct.

10 114. During the time that the '977 patent was pending before the USPTO, Phoenix was
11 aware of U.S. Patent No. 5,615,296 to Stanford. Phoenix became aware of the Stanford patent
12 no later than May of 2002, when the Examiner in the '640 patent prosecution mailed an Office
13 Action rejecting the claims of the '640 patent, based in part on obviousness over the Stanford
14 patent.

15 115. As explained in paragraph 113 above, the Stanford patent's materiality is
16 demonstrated by the fact that it was used to reject the claims of a patent application from the
17 same family. The Stanford patent also discloses information that is unquestionably material to
18 issues relating to the patentability of the claims of the '977 patent, including the issue of
19 obviousness. For example, the '977 patent as issued claims a system "adapted to interact on a
20 real-time basis in response to one or more continuous speech queries." The Stanford patent, at
21 column 4, lines 10-12 notes that it discloses a "technique of speaker-independent, continuous-
22 speech phrases and bi-grams."

23 116. After May of 2002, Phoenix submitted no less than five Information Disclosure
24 Statements. Not one disclosed the Stanford patent. Phoenix also twice amended its claims, but
25 did not make any mention of the Stanford patent when doing so, despite the fact that Phoenix had
26 attempted at length to distinguish the Stanford patent in the '640 patent prosecution.

27 117. The '977 patent reflects on its face that the Stanford patent was never considered
28 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '977 patent

1 and the '640 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
2 material reference, Phoenix committed inequitable conduct, and the '977 patent is unenforceable.

3 118. During the time that the '977 patent was pending before the USPTO, Phoenix was
4 aware of U.S. Patent No. 5,737,485 to Flanagan. Phoenix became aware of the Flanagan patent
5 no later than September of 2001, when the Examiner in the '846 patent prosecution mailed an
6 Office Action rejecting the claims of the '846 patent, based in part on obviousness over the
7 Flanagan patent.

8 119. As explained in paragraph 113 above, the Flanagan patent's materiality is
9 demonstrated by the fact that it was used to reject the claims of a patent application from the
10 same family. The Flanagan patent also discloses information that is unquestionably material to
11 issues relating to the patentability of the claims of the '977 patent, including the issue of
12 obviousness. For example, the '977 patent as issued claims "partially processing a speech
13 utterance at the client platform to generate limited data content speech data." The Flanagan
14 patent, at column 3, lines 55-57 and column 4, lines 2-4 discloses a "feature extractor [that]
15 extracts speech features or cepstrum coefficients," which partially processed speech data are then
16 "provided as inputs to the speech recognizer."

17 120. After September of 2001, Phoenix submitted a half-dozen Information Disclosure
18 Statements. Not one disclosed the Flanagan patent. Phoenix also twice amended its claims, but
19 did not make any mention of the Flanagan patent when doing so.

20 121. The '977 patent reflects on its face that the Flanagan patent was never considered
21 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '977 patent
22 and the '846 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
23 material reference, Phoenix committed inequitable conduct, and the '977 patent is unenforceable.

24 122. During the time that the '977 patent was pending before the USPTO, Phoenix was
25 aware of U.S. Patent No. 5,265,014 to Haddock. Phoenix became aware of the Haddock patent
26 no later than September of 2001, when the Examiner in the '846 patent prosecution mailed an
27 Office Action rejecting the claims of the '846 patent, based in part on obviousness over the
28 Haddock patent.

1 123. As explained in paragraph 113 above, the Haddock patent's materiality is
2 demonstrated by the fact that it was used to reject the claims of a patent application from the
3 same family. The Haddock patent also discloses information that is unquestionably material to
4 issues relating to the patentability of the claims of the '977 patent, including the issue of
5 obviousness. For example, the '977 patent as issued claims a website that has a "speech
6 recognition routine executing on the server computing system for completing recognition of said
7 speech query using said speech data and said data content to generate a recognized speech
8 query" and "a list of items, at least some of said list of items being selectable by a user based on
9 said recognized speech query." The Haddock patent, at column 4, lines 25-28 and 43-46 notes
10 that it discloses a system whereby "the user communicates textual information to the computer
11 system by talking to the computer rather than by typing the information at the keyboard" and is
12 "embodied in a user interface of a database system which receives a database query from a user,
13 evaluates the query, and provides a result of the evaluation to the user."

14 124. After September of 2001, Phoenix submitted a half-dozen Information Disclosure
15 Statements. Not one disclosed the Haddock patent. Phoenix also twice amended its claims, but
16 did not make any mention of the Haddock patent when doing so.

17 125. The '977 patent reflects on its face that the Haddock patent was never considered
18 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '977 patent
19 and the '846 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
20 material reference, Phoenix committed inequitable conduct, and the '977 patent is unenforceable.

21 126. During the time that the '977 patent was pending before the USPTO, Phoenix was
22 aware of U.S. Patent No. 5,540,589 to Waters. Phoenix became aware of the Waters patent no
23 later than September of 2001, when the Examiner in the '846 patent prosecution mailed an
24 Office Action rejecting the claims of the '846 patent, based in part on obviousness over the
25 Waters patent.

26 127. As explained in paragraph 113 above, the Waters patent's materiality is
27 demonstrated by the fact that it was used to reject the claims of a patent application from the
28 same family. The Waters patent also discloses information that is unquestionably material to

1 issues relating to the patentability of the claims of the '977 patent, including the issue of
2 obviousness. For example, the '977 patent as issued claims a system "wherein signal processing
3 functions required to generate said recognized speech query can be allocated between a client
4 platform and the server computing system as needed based on computing resources available to
5 said client platform and server computing system respectively." The Waters patent, at column 6,
6 lines 21-23 notes that it discloses a system where the "voice recognizer 34 is illustrated as a
7 standalone component, although it may be built-in to the controller."

8 128. After September of 2001, Phoenix submitted a half-dozen Information Disclosure
9 Statements. Not one disclosed the Waters patent. Phoenix also twice amended its claims, but
10 did not make any mention of the Waters patent when doing so.

11 129. The '977 patent reflects on its face that the Waters patent was never considered by
12 the Examiner during its prosecution. Notably, the attorney prosecuting both the '977 patent and
13 the '846 patent was the same: J. Nicholas Gross. By intentionally failing to submit this material
14 reference, Phoenix committed inequitable conduct, and the '977 patent is unenforceable.

15 130. During the time that the '977 patent was pending before the USPTO, Phoenix was
16 aware of U.S. Patent No. 6,336,090 to Chou. Phoenix became aware of the Chou patent no later
17 than May of 2002, when the Examiner in the '846 patent prosecution mailed an Office Action
18 rejecting the claims of the '846 patent, based in part on obviousness over the Chou patent.

19 131. As explained in paragraph 113 above, the Chou patent's materiality is
20 demonstrated by the fact that it was used to reject the claims of a patent application from the
21 same family. The Chou patent also discloses information that is unquestionably material to
22 issues relating to the patentability of the claims of the '977 patent, including the issue of
23 obviousness. For example, the '977 patent as issued claims a website that allows certain speech-
24 recognition operations to "be allocated between a client platform and the server computing
25 system as needed based on computing resources available to said client platform and server
26 computing system respectively." The Chou patent, at column 9, lines 51-59 notes that it
27 discloses a "feature extraction and/or ASR units can be located a the receiving base station, the
28 switch connected to the base station . . . or at another location connection on the network(s) to

1 which these elements are connected” and that it will sometimes “be convenient to have the
2 feature extraction and ASR operations performed at different locations.”

3 132. After May of 2002, Phoenix submitted no less than five Information Disclosure
4 Statements. Not one disclosed the Chou patent. Phoenix also twice amended its claims, but did
5 not make any mention of the Chou patent when doing so.

6 133. The ’977 patent reflects on its face that the Chou patent was never considered by
7 the Examiner during its prosecution. Notably, the attorney prosecuting both the ’977 patent and
8 the ’846 patent was the same: J. Nicholas Gross. By intentionally failing to submit this material
9 reference, Phoenix committed inequitable conduct, and the ’977 patent is unenforceable.

10 134. During the time that the ’977 patent was pending before the USPTO, Phoenix was
11 aware of U.S. Patent No. 5,983,190 to Trower. Phoenix became aware of the Trower patent no
12 later than May of 2002, when the Examiner in the ’640 patent prosecution mailed an Office
13 Action rejecting the claims of the ’640 patent, based in part on obviousness over the Trower
14 patent.

15 135. As explained in paragraph 113 above, the Trower patent’s materiality is
16 demonstrated by the fact that it was used to reject the claims of a patent application from the
17 same family. The Trower patent also discloses information that is unquestionably material to
18 issues relating to the patentability of the claims of the ’977 patent, including the issue of
19 obviousness. For example, the ’977 patent as issued claims a website that “controls an
20 interactive character agent presented to the user for assisting in handling said speech query.”
21 The Trower patent, at column 2, lines 23-25 and column 3, lines 15-17 notes that it discloses a
22 “client-server animation system used to display interactive, animated user interface characters
23 with speech input and output capability” and that the invention is “advantageous for web pages
24 because a web page can include an interactive character simply by adding a reference to the
25 agent server.”

26 136. After May of 2002, Phoenix submitted no less than five Information Disclosure
27 Statements. Not one disclosed the Trower patent. Phoenix also twice amended its claims, but
28 did not make any mention of the Trower patent when doing so.

1 137. The '977 patent reflects on its face that the Trower patent was never considered
2 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '977 patent
3 and the '640 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
4 material reference, Phoenix committed inequitable conduct, and the '977 patent is unenforceable.

5 138. In addition to its failures to submit the material references described above,
6 Phoenix failed to disclose to the United States Patent and Trademark Office material information
7 regarding systems that were in use more than a year before the filing date for the '977 patent.
8 Specifically, documents produced by Phoenix have revealed that its principal (and named
9 inventor on the '977 patent) Ian Bennett knew no later than July of 2002 of a number of
10 companies that Phoenix viewed as competitors in the speech recognition marketplace. These
11 companies included, without limitation, Nuance, SpeechWorks, Scansoft, and VoiceNet.

12 139. Under the reading of the claims advanced by Phoenix in its infringement
13 contentions in this case, a product that was offered for sale by Nuance and in use more than a
14 year prior to the filing date of the '977 patent would have contained each of the elements of the
15 asserted claims of that patent. The Nuance product, which was available years prior to the filing
16 date of the '977 patent, would therefore have been not merely material prior art, but anticipatory
17 prior art, at least as Phoenix now reads the claims of the patents-in-suit. Accordingly,
18 information regarding the products offered by these companies would have been considered
19 highly material to a reasonable examiner in considering whether to issue the '977 patent.

20 140. Given the knowledge of this highly relevant prior art, and the fact that Phoenix
21 elsewhere failed to submit material prior art of which it was aware, as described above, it is
22 reasonable to infer that Phoenix had an intent to deceive when it withheld information regarding
23 that prior art from the USPTO. By intentionally failing to submit this highly relevant prior art to
24 the USPTO, Phoenix committed inequitable conduct, and the '977 patent is therefore
25 unenforceable.

26 **THIRTY-EIGHTH AFFIRMATIVE DEFENSE**

27 141. On information and belief, Phoenix's claims for infringement of the '854 patent
28 are barred in whole or in part by its failure to comply with the duty of candor before the USPTO.

1 Phoenix misrepresented or omitted material information in prosecuting the '854 patent. The
2 materiality of the information that was omitted is confirmed by the fact that, as explained further
3 below, in almost every instance the reference in question was cited to Phoenix by a patent
4 examiner overseeing the prosecution of a patent application seeking to claim related subject
5 matter, and the reference was cited as a ground for rejecting the claims of that pending
6 application. That demonstrates that a reasonable examiner would have likely considered the
7 withheld information relevant in assessing the patentability of the claims here. Further, on
8 information and belief, Phoenix withheld the information with the intent to deceive the USPTO.
9 Phoenix's intent to deceive the USPTO can be inferred from the fact that it repeatedly failed to
10 cite material prior art of which it was made aware during the course of prosecuting related
11 applications. Illustrative examples of such failures to disclose material prior art of which Wells
12 Fargo is currently aware are discussed below. As a result of at least these omissions, the '854
13 patent is unenforceable due to inequitable conduct.

14 142. During the time that the '854 patent was pending before the USPTO, Phoenix was
15 aware of U.S. Patent No. 5,983,190 to Trower. Phoenix became aware of the Trower patent no
16 later than May of 2002, when the Examiner in the '640 patent prosecution mailed an Office
17 Action rejecting the claims of the '640 patent, based in part on obviousness over the Trower
18 patent.

19 143. As explained in paragraph 141 above, the Trower patent's materiality is
20 demonstrated by the fact that it was used to reject the claims of a patent application from the
21 same family. The Trower patent also discloses information that is unquestionably material to
22 issues relating to the patentability of the claims of the '854 patent, including the issue of
23 obviousness. For example, the '854 patent as issued claims a method employing an "interactive
24 electronic agent" that "is an animated character on a screen of the client device." The Trower
25 patent, at column 2, lines 23-25 notes that it discloses a "client-server animation system used to
26 display interactive, animated user interface characters with speech input and output capability."
27
28

1 144. Phoenix filed the continuation application that matured into the '854 patent in
2 January of 2005, nearly three years after it indisputably learned of the Trower patent. At no time
3 during the prosecution of the '854 patent did Phoenix disclose the Trower patent to the USPTO.

4 145. The '854 patent reflects on its face that the Trower patent was never considered
5 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '854 patent
6 and the '640 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
7 material reference, Phoenix committed inequitable conduct, and the '854 patent is unenforceable.

8 146. During the time that the '854 patent was pending before the USPTO, Phoenix was
9 aware of U.S. Patent No. 6,101,472 to Giangarra. Phoenix became aware of the Giangarra patent
10 no later than August of 2004, when the Examiner in the '977 patent prosecution mailed an Office
11 Action rejecting the claims of the '977 patent, based in part on obviousness over the Giangarra
12 patent.

13 147. As explained in paragraph 141 above, the Giangarra patent's materiality is
14 demonstrated by the fact that it was used to reject the claims of a patent application from the
15 same family. The Giangarra patent also discloses information that is unquestionably material to
16 issues relating to the patentability of the claims of the '854 patent, including the issue of
17 obviousness. For example, the '854 patent as issued claims a method that includes "providing a
18 speech recognition engine adapted to recognize a first set of words and/or phrases during an
19 interactive speech session." The Giangarra patent, at column 5, lines 41-44 discloses a
20 "vocabulary list stored in speech recognition unit **252** [that] provides a list of all words and
21 utterances by an external user which will be recognized as voice commands."

22 148. Phoenix filed the continuation application that matured into the '854 patent in
23 January of 2005, several months after it indisputably learned of the Giangarra patent. At no time
24 during the prosecution of the '854 patent did Phoenix disclose the Giangarra patent to the
25 USPTO.

26 149. The '854 patent reflects on its face that the Giangarra patent was never considered
27 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '854 patent
28

1 and the '977 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
2 material reference, Phoenix committed inequitable conduct, and the '854 patent is unenforceable.

3 150. During the time that the '854 patent was pending before the USPTO, Phoenix was
4 aware of U.S. Patent No. 6,330,530 to Horiguchi. Phoenix became aware of the Horiguchi
5 patent no later than August of 2004, when the Examiner in the '977 patent prosecution mailed an
6 Office Action rejecting the claims of the '977 patent, based in part on obviousness over the
7 Horiguchi patent.

8 151. As explained in paragraph 141 above, the Horiguchi patent's materiality is
9 demonstrated by the fact that it was used to reject the claims of a patent application from the
10 same family. The Horiguchi patent also discloses information that is unquestionably material to
11 issues relating to the patentability of the claims of the '854 patent, including the issue of
12 obviousness. For example, the '854 patent as issued claims "a natural language query system."
13 The Horiguchi patent, at column 1, lines 27-28 describes a "natural language processing system."

14 152. Phoenix filed the continuation application that matured into the '854 patent in
15 January of 2005, several months after it indisputably learned of the Horiguchi patent. At no time
16 during the prosecution of the '854 patent did Phoenix disclose the Horiguchi patent to the
17 USPTO.

18 153. The '854 patent reflects on its face that the Horiguchi patent was never considered
19 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '854 patent
20 and the '977 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
21 material reference, Phoenix committed inequitable conduct, and the '854 patent is unenforceable.

22 154. During the time that the '854 patent was pending before the USPTO, Phoenix was
23 aware of U.S. Patent No. 6,901,366 to Kuhn. Phoenix became aware of the Kuhn patent no later
24 than June of 2005, when the Examiner in the '977 patent prosecution mailed an Office Action
25 rejecting the claims of the '977 patent, based in part on obviousness over the Kuhn patent.

26 155. As explained in paragraph 141 above, the Kuhn patent's materiality is
27 demonstrated by the fact that it was used to reject the claims of a patent application from the
28 same family. The Kuhn patent also discloses information that is unquestionably material to

1 issues relating to the patentability of the claims of the '854 patent, including the issue of
2 obviousness. For example, the '854 patent as issued claims a method of using a system that
3 provides "a database of query/answer pairs concerning one or more topics which can be
4 responded to by the natural language query system." The Kuhn patent, at column 5, line 1 and
5 lines 45-47 notes that it discloses a "knowledge database" as well as a "natural language parser
6 12 [that] analyzes and extracts semantically important and meaningful topics from a loosely
7 structured, natural language text."

8 156. After June of 2005, Phoenix submitted several Information Disclosure
9 Statements, and also amended the claims several times. At no time during the prosecution of the
10 '854 patent did Phoenix disclose the Kuhn patent to the USPTO.

11 157. The '854 patent reflects on its face that the Kuhn patent was never considered by
12 the Examiner during its prosecution. Notably, the attorney prosecuting both the '854 patent and
13 the '977 patent was the same: J. Nicholas Gross. By intentionally failing to submit this material
14 reference, Phoenix committed inequitable conduct, and the '854 patent is unenforceable.

15 158. In addition to its failures to submit the material references described above,
16 Phoenix failed to disclose to the United States Patent and Trademark Office material information
17 regarding systems that were in use more than a year before the filing date for the '854 patent.
18 Specifically, documents produced by Phoenix have revealed that its principal (and named
19 inventor on the '854 patent) Ian Bennett knew no later than July of 2002 of a number of
20 companies that Phoenix viewed as competitors in the speech recognition marketplace. These
21 companies included, without limitation, Nuance, SpeechWorks, Scansoft, and VoiceNet.

22 159. Under the reading of the claims advanced by Phoenix in its infringement
23 contentions in this case, a product that was offered for sale by Nuance and in use more than a
24 year prior to the filing date of the '854 patent would have contained each of the elements of the
25 asserted claims of that patent. The Nuance product, which was available years prior to the filing
26 date of the '854 patent, would therefore have been not merely material prior art, but anticipatory
27 prior art, at least as Phoenix now reads the claims of the patents-in-suit. Accordingly,
28

1 information regarding the products offered by these companies would have been considered
2 highly material to a reasonable examiner in considering whether to issue the '854 patent.

3 160. Given the knowledge of this highly relevant prior art, and the fact that Phoenix
4 elsewhere failed to submit material prior art of which it was aware, as described above, it is
5 reasonable to infer that Phoenix had an intent to deceive when it withheld information regarding
6 that prior art from the USPTO. By intentionally failing to submit this highly relevant prior art to
7 the USPTO, Phoenix committed inequitable conduct, and the '854 patent is therefore
8 unenforceable.

9 **THIRTY-NINTH AFFIRMATIVE DEFENSE**

10 161. On information and belief, the '846 patent is invalid under the doctrine barring
11 double patenting and/or obviousness-type double patenting.

12 **FORTIETH AFFIRMATIVE DEFENSE**

13 162. On information and belief, the '640 patent is invalid under the doctrine barring
14 double patenting and/or obviousness-type double patenting.

15 **FORTY-FIRST AFFIRMATIVE DEFENSE**

16 163. On information and belief, the '977 patent is invalid under the doctrine barring
17 double patenting and/or obviousness-type double patenting.

18 **FORTY-SECOND AFFIRMATIVE DEFENSE**

19 164. On information and belief, the '854 patent is invalid under the doctrine barring
20 double patenting and/or obviousness-type double patenting.

21 **PRAYER FOR RELIEF**

22 WHEREFORE, Wells Fargo prays for judgment as follows:

23 (a) That Phoenix take nothing by its Complaint and the Court dismiss its Complaint with
24 prejudice;

25 (b) That the Court find that no claim of the '846 patent has been, or is, infringed willfully,
26 deliberately, or otherwise by Wells Fargo;

27 (c) That the Court find that no claim of the '640 patent has been, or is, infringed willfully,
28 deliberately, or otherwise by Wells Fargo;

(d) That the Court find that no claim of the '977 patent has been, or is, infringed willfully, deliberately, or otherwise by Wells Fargo;

(e) That the Court find that no claim of the '854 patent has been, or is, infringed willfully, deliberately, or otherwise by Wells Fargo;

(f) That the Court find that the claims of the '846 patent are invalid;

(g) That the Court find that the claims of the '640 patent are invalid;

(h) That the Court find that the claims of the '977 patent are invalid;

(i) That the Court find that the claims of the '854 patent are invalid;

(j) That the Court find that the '846 patent is unenforceable because of inequitable conduct committed during its prosecution;

(k) That the Court find that the '640 patent is unenforceable because of inequitable conduct committed during its prosecution;

(l) That the Court find that the '977 patent is unenforceable because of inequitable conduct committed during its prosecution;

(m) That the Court find that the '854 patent is unenforceable because of inequitable conduct committed during its prosecution;

(n) That the Court award Wells Fargo reasonable attorneys' fees under 35 U.S.C. § 285;

(o) That the Court award Wells Fargo all costs and expenses it incurs in this action;

(p) That the Court award Wells Fargo such other and further relief that it deems just and proper.

DEMAND FOR JURY TRIAL

Wells Fargo hereby demands a trial by jury of all issues so triable in this action.

Dated: October 2, 2008

KEKER & VAN NEST, LLP

By: /s/ Eugene M. Paige
Eugene M. Paige
Attorneys for Defendant
WELLS FARGO BANK, N.A.